

# SEI STABLE ASSET FUND

as of June 30, 2008

## FUND STATISTICS:

- Fund Balance: \$6.523 billion
- Spot Yield: 4.30%
- 12-Month Rolling Return: 4.43%<sup>1</sup>
- Fund Duration: 2.56 years<sup>2</sup>
- Average Credit Quality: AAA/Aaa<sup>2</sup>
- Benchmark: MFR Money Market Index

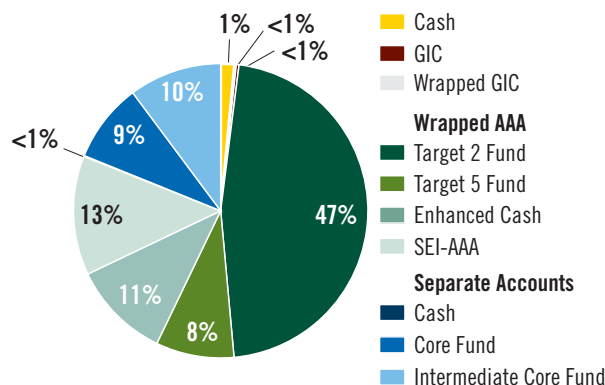
## INVESTMENT OBJECTIVE

Dwight's investment philosophy reflects the following conservative investment objectives for the SEI SAF: capital preservation, issuer and reinvestment diversification, real return that remains relatively stable on a periodic basis, and the highest yield consistent with risk tolerance.

## INVESTMENT STRATEGY

The SEI SAF invests in a diverse portfolio of investments including GICs, wrapped fixed income (collateralized or synthetic GICs), and separate account contracts from approved issuers. The majority of the underlying collateral for wrapped fixed income investments and separate account contracts may be actively managed in order to enhance the returns of the SEI SAF.

The strategy uses complementary broad market portfolios and duration exposure consistent with the cash flow experience of participating plans while seeking to maintain a AAA average credit quality exposure.

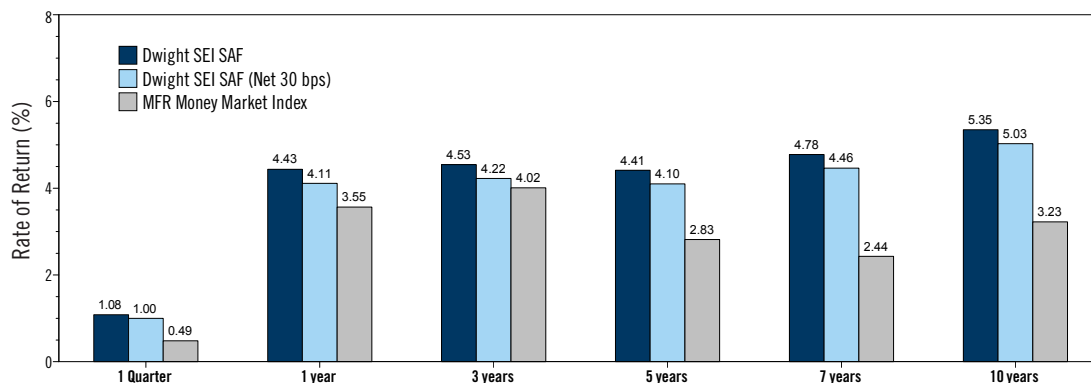


## TOP CONTRACT HOLDINGS

	% of Fund
AIG-FP	11.3
State Street Bank	11.3
Rabobank	11.3
Monumental Life	11.3
NATIXIS Financial Products	11.3
Bank of America	11.3
Royal Bank of Canada	11.3
Transamerica Life	10.2
John Hancock	8.8

## RESULTS<sup>1</sup>

Dwight's excess return goal for the SEI SAF is to exceed money market fund returns by 75–100 basis points over a market cycle.



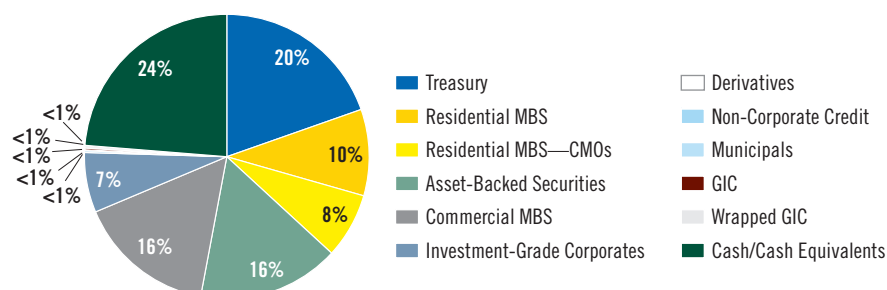
<sup>1</sup> Returns are presented gross and net of fees and reflect the reinvestment of interest income. Net returns are based on the highest advisory fee rate payable under Dwight's current fee schedule. Past performance is no guarantee of future results. Please see page 4 for more information.

The MFR Money Market Index is the all-taxable money fund report average, a product of iMoneyNet, Inc., and is presented net of certain fees and expenses.

<sup>2</sup> Duration is calculated using actual, benchmark, or target duration as applicable. The average credit quality for the Fund has been calculated using a convention where each S&P/Moody's rating category is assigned a numeric equivalent from 26 down to 1. Treasuries=26, Government Agencies=25, AAA/Aaa=24, AA+/Aa1=23, AA/Aa2=22, AA-/Aa3=21, A+/A1=20 and so on. The dollar weighted average numeric rating is determined and rounded to the closest S&P/Moody's rating equivalent.

## SECTOR DIVERSIFICATION

Dwight believes that consistent and competitive performance for stable value funds is achieved by managing risk. This is accomplished by controlling duration volatility, conducting rigorous credit research, building high-quality portfolios, and focusing on security and sector selection as the primary means of adding value.

Portfolio Composition<sup>1</sup>

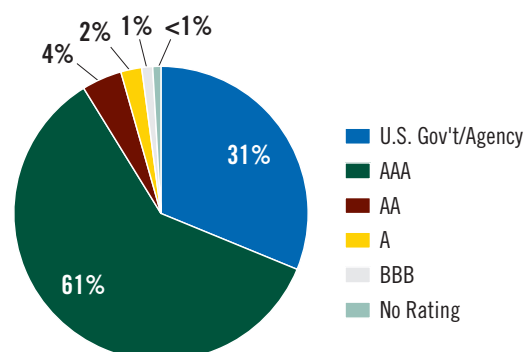
<sup>1</sup> Cash/cash equivalents represents cash and fixed income securities with a duration of one year or less. Allocations to Treasury and Cash/Cash Equivalents sectors presented reflect net Treasury positions. The Fund invests a portion of its assets in certain Dwight commingled funds that may from time to time invest in derivatives. Additional information is available upon request.

## STABLE VALUE ISSUER DETAIL

GIC Issuers:		Separate Account Issuers:		Wrap Issuers	
Issuer	S&P/Moody's	Issuer	S&P/Moody's	Issuer	S&P/Moody's
Mass Mutual	AAA/Aa1	John Hancock	AAA/Aa1	AIG-FP	AA-/Aa3
Metropolitan	AA/Aa2	Transamerica Life	AA/Aa3	Bank of America	AA+/Aaa
				Monumental	AA/Aa3
				NATIXIS Financial Products	AAA/Aaa
				Rabobank	AAA/Aaa
				Royal Bank of Canada	AA-/Aaa
				State Street Bank	AA/Aa1

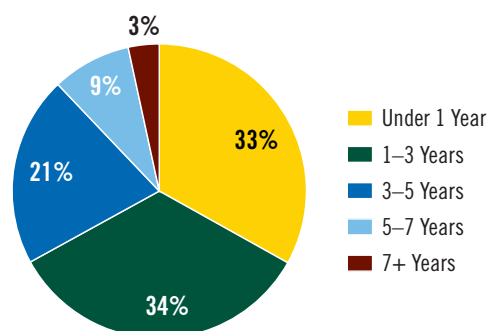
## CREDIT QUALITY

The average target credit quality of the SEI SAF is AAA. The SEI SAF is not permitted to purchase securities rated below investment-grade.

S&P Credit Ratings<sup>2, 4</sup>

## DURATION

Dwight has a duration management process for the SEI SAF that specifies a target of 2.75 years, plus or minus 1 year. This target was established with the dual goals of maximizing yield and tracking prevailing interest rates. Dwight determines the overall portfolio duration target, taking into account historical and projected cash flows.



<sup>2</sup> The average credit quality for the Fund has been calculated using a convention where each S&P/Moody's rating category is assigned a numeric equivalent from 26 down to 1. Treasuries=26, Government Agencies=25, AAA/Aaa=24, AA+/Aa1=23, AA/Aa2=22, AA-/Aa3=21, A+/A1=20 and so on. The dollar weighted average numeric rating is determined and rounded to the closest S&P/Moody's rating equivalent. All securities rated below AAA are held in Separate Accounts. In the case of split-rated securities, the middle rating is used for securities that are rated by S&P, Moody's, and Fitch and the lower rating for securities rated by only two of such agencies.

## ECONOMIC MARKET COMMENTARY

- The domestic economy remained weak during the second quarter after growing at a 1% rate in the first quarter. Continued weakness in residential construction and consumption were again the primary culprits, while growth was aided by exports amid further declines in the value of the dollar.
- Rising food and gas prices pushed up headline inflation during the second quarter while core inflation moderated slightly from the more elevated levels seen earlier in the year. CPI was up 4.2% in May while core CPI was up 2.3% on a year-over-year basis.
- The job market contracted further in the second quarter, with non-farm payrolls declining by more than 60,000 each month and the unemployment rate rising to 5.5% from 5.1% at the end of the first quarter. Total job losses for the first half of the year now total 438,000 according to the Bureau of Labor Statistics, and though the pace of payroll declines slowed in the second quarter, the Department of Labor's tally of jobless claims continued to rise.
- The housing market remained deep in recessionary territory during the second quarter. Housing starts continued to decline in the second quarter, hitting a 17-year low, while home prices also continued to decline. The S&P/Case-Shiller composite home price index hit a new low in April, registering a 15.3% yearly decline in home prices.
- Consumer confidence sank precipitously during the second quarter, reaching its lowest level since 1992 according to the Conference Board's monthly survey. A combination of high food and gas prices, a wrecked housing market, tough credit conditions, falling stocks, and a softening labor market weighed heavily on consumers during the period. At 50.4 in June, the confidence reading was less than half the level recorded just a year earlier.
- At its April 30 meeting, the FOMC voted to cut its target overnight lending rate by 25 basis points to 2%, bringing the cumulative year-to-date level of easing to 225 basis points. Amid surging commodities prices, rising inflation expectations, a weakening dollar, and signs that strains on the financial system were beginning to ease somewhat, Fed officials began to signal through various public outlets that any more easing would be increasingly unlikely. The committee voted on June 25 to hold rates steady, and wrote in its policy statement that "although downside risks to growth remain, they appear to have diminished somewhat, and the upside risks to inflation and inflation expectations have increased." At the end of the quarter, Fed funds futures had priced in expectations of at least one rate hike before the end of the year.
- Tightening credit spreads helped soften the impact from a sharp rise in Treasury yields during the quarter, leading to flat or slightly negative returns for most sectors of the bond markets. The Lehman Brothers Aggregate Index finished the period with a total return of -1.02%, while most non-Treasury sectors fared slightly better. Credit spreads tightened across asset classes, retreating from their credit-crisis extremes as the Fed's added liquidity measures and a recapitalization of financial institutions helped ease liquidity strains.

## PORTFOLIO REVIEW

- As outlined in the Economic Market Commentary, the domestic economy remained weak in the second quarter and the markets continued to experience volatility. Over the course of the last 12 months, the equity markets, as gauged by the S&P 500 Index, lost approximately 13.0%. In addition, credit spreads moved significantly wider during the 12-month period which led to negative excess returns versus Treasuries for all fixed income sectors. Amid this extended period of market uncertainty, the SEI Stable Asset Fund ("the Fund") continued to provide participants with principal preservation and a consistent level of income, offering a spot yield of 4.30% as of June 30, 2008.
- The Fund posted a gross quarterly return of 1.08% and a 12-month return of 4.43%, outperforming the MFR Money Market Index by 59 and 88 basis points, respectively. The Fund continues to outperform the Index over the 3-, 5-, and 10-year periods.
- The Fund's average credit quality remained AAA throughout the quarter.
- Fund assets total \$6.6 billion. The Fund earned \$70.3 million during the quarter. Earnings were modestly offset by negative cash flow of \$136.3 million.
- The investment strategies used in the Fund are comprised of five primary portfolios: the Dwight Enhanced Cash Fund, the Dwight Target 2 and Target 5 Funds, and the Dwight Core and Intermediate Core Funds. On a market value basis, the Dwight Enhanced Cash Fund experienced positive returns for the quarter and outperformed the 3-month LIBOR benchmark. The Dwight Target 2 and Target 5 Funds experienced negative returns for the quarter but outperformed their respective Treasury benchmarks due to spread tightening within structured product. The Dwight Target 5 Fund underperformed its broad market benchmark, the Lehman Brothers Aggregate Index, due to its longer duration relative to the benchmark as interest rates rose during the quarter. The Dwight Intermediate Core and Core Funds also experienced negative returns for the quarter, but outperformed their respective benchmarks. The portfolios benefited from an overweight to asset-backed and commercial mortgage-backed securities as spreads tightened appreciably in these sectors in April and May. In general, we continue to favor high-quality spread product in the Dwight-managed strategies while maintaining a core allocation to Treasuries and a defensive posture in corporate credit.

## ABOUT DWIGHT

Dwight Asset Management Company LLC focuses on fixed income investment management services for institutional clients, including retirement plans, corporations, public funds, insurance companies, financial institutions, endowments, foundations, and Taft-Hartley plans. See [www.dwight.com](http://www.dwight.com) for more information.

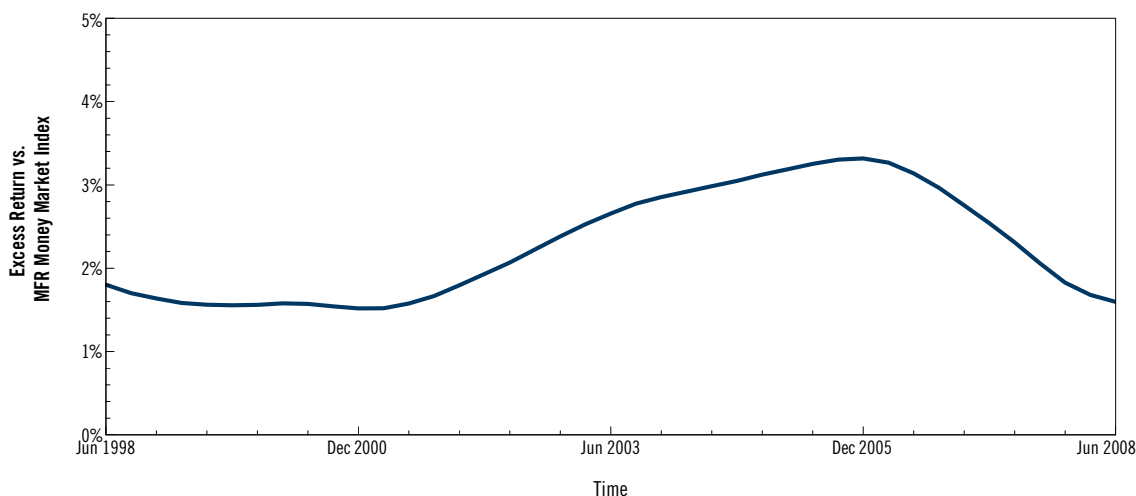
## QUICK FACTS

- Located in Burlington, Vermont
- \$73 billion in assets under management
- Team management structure
- Single focus on institutional fixed income

## EXCESS RETURNS

Dwight seeks to provide consistent excess returns over benchmarks over time.

20-Quarter Moving Windows, Computed Quarterly, June 1998–June 2008



Created with Zephyr StyleADVISOR. Returns are presented gross of fees and reflect the reinvestment of interest income. Past performance is no guarantee of future results. Please see Notes on Performance below.

## For more information:

## Fixed Income &amp; Stable Value

Greg Prisk  
Executive Vice President  
802.383.4104  
gprisk@dwight.com

David Richardson, CFA  
Managing Director  
802.383.4024  
drichardson@dwight.com

## Insurance

Donald Hill  
Senior Vice President  
802.383.4062  
dhill@dwight.com

John Loud  
Vice President  
802.383.4047  
jloud@dwight.com

## Consultant Relations

Lisa Trubiano, CFA  
Senior Vice President  
802.383.4066  
ltrubiano@dwight.com

Anicia Mendez  
Vice President  
802.383.4067  
amendez@dwight.com

## LIST OF APPROVED WRAP ISSUERS AS OF JUNE 30, 2008

Dwight's goal in structuring book value wraps is to obtain comprehensive book value coverage, flexible financial and contractual terms, and favorable pricing terms. Dwight applies a set of criteria that a wrap issuer and its contract must satisfy from a credit, legal, financial, and accounting perspective before an issuer is added to Dwight's List of Approved Issuers.

	S&P	Moody's	Fitch
<b>Wrap Issuers</b>			
AIG Financial Products <sup>1</sup>	AA-	Aa3	NR
AEGON <sup>2</sup>	AA	Aa3	AA+
Bank of America	AA+	Aaa	AA+
ING Life and Annuity	AA	Aa3	AA
JPMorgan Chase	AA	Aaa	AA
NATIXIS Financial Products <sup>3</sup>	AA	Aaa	AA-
Pacific Life	AA	Aa3	AA
Rabobank Nederland	AAA	Aaa	AA+
Royal Bank of Canada	AA-	Aaa	AA
State Street Bank	AA	Aa1	AA

<sup>1</sup> Currently on Internal Watch

<sup>2</sup> Monumental/Transamerica Life/Transamerica Occidental/Transamerica Financial Life

<sup>3</sup> Formerly IXIS Financial Products. Please note any contract issued prior to 1/2007 continues to benefit from a guaranty through the end of 2017 from its former parent CDC rated AAA/Aaa/AAA

## NOTES ON PERFORMANCE

## SEI Stable Asset Fund

Our Stable Value commingled fund investment strategy seeks to provide preservation of principal, stable market value and competitive returns that track prevailing intermediate term yields. Portfolios are broadly diversified using high-quality stable value investments and high-quality fixed income securities within a book value wrap.

Returns for the SEI Stable Asset Fund are presented gross and net of fees, on an annualized basis (with the exception of the 3-month return), and include the reinvestment of interest income. Fees, which will reduce actual client returns, may vary among clients. A fee schedule is available upon request. The average credit quality for the Fund has been calculated using a convention where each S&P/Moody's rating category is assigned a numeric equivalent from 26 down to 1. Treasuries=26, Government Agencies=25, AAA/Aaa=24, AA+/Aa1=23, AA/Aa2=22, AA-/Aa3=21, A+/A1=20 and so on. The dollar-weighted average numeric rating is determined and rounded to the closest S&P/Moody's rating equivalent. The MFR Money Market Index is the all-taxable money fund report average, a product of iMoneyNet, Inc., and is presented net of certain fees and expenses.

100 Bank Street  
Suite 800  
Burlington, VT 05401  
802.383.4000

One SW Columbia  
Suite 1720  
Portland, OR 97258  
800.929.4427

www.dwight.com